

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF MARTIN COUNTY WATER)	
DISTRICT NO. 2 OF MARTIN COUNTY, KENTUCKY)	
FOR (A) FOR A CERTIFICATE OF PUBLIC)	
CONVENIENCE AND NECESSITY, PURSUANT TO)	
KRS 278.023, 807 KAR 5:001, SECTION 8,)	
AND 807 KAR 5:069 AUTHORIZING SAID)	
APPLICANT TO CONSTRUCT WATER LINE)	CASE NO.
EXTENSIONS AND IMPROVEMENTS TO ITS)	92-307
EXISTING WATER DISTRIBUTION SYSTEM, (B))	
AN ORDER APPROVING CONSTRUCTION FINANCING)	
SECURED BY THE APPLICANT AND (C) APPROVE)	
A PROPOSED \$3.00 MINIMUM SURCHARGE RATE)	
TO THE NEW CUSTOMERS ONLY PURSUANT TO KRS)	
278.180 AND 807 KAR 5:001, SECTION 10 & 6)	

O R D E R

On July 23, 1992, Martin County Water District No. 2 ("Martin Water") filed an application for a Certificate of Public Convenience and Necessity to construct a \$2,155,942 waterworks improvement project, for approval of its plan of financing for this project, and for adjustments to its water service rates. This project will provide service to 528 additional customers. Project funding includes a \$1,250,992 loan from the Kentucky Infrastructure Authority ("KIA"), a \$750,000 Community Development Block Grant from the U.S. Department of Housing and Urban Development ("HUD"), \$100,000 from the Martin County Fiscal Court, and \$54,950 from applicants for service in the proposed project area. The loan will be for a 20-year period at an interest rate of 3 percent per annum.

Martin Water's application was made pursuant to KRS 278.023, which requires the Commission to accept agreements between water

districts and HUD and to issue the necessary orders to implement the terms of such agreements within 30 days of satisfactory completion of the minimum filing requirements. Given that minimum filing requirements for the requested construction and financing were met in this case on August 7, 1992, KRS 278.023 does not grant the Commission any discretionary authority to modify or reject any portion of this agreement. However, the agreement between Martin Water and HUD does not mandate a specific rate. Martin Water's requested increase in rates is a provision of its agreement with KIA. Since KIA is not a federal agency as specified in KRS 278.023, the requirements of KRS 278.023 do not apply to Martin Water's requested rate increase or requested approval of the proposed KIA loan. The Commission does have the authority to review the KIA loan agreement pursuant to KRS 278.300. Martin Water's request for rate increase must also be reviewed by the Commission pursuant to KRS 278.180.

The Commission has examined Martin Water's test-period operations and proposed adjustments and finds that the proposed revenue increase of \$157,128¹ should be allowed. The rates proposed by Martin Water are fair, just, and reasonable.

The financing plan proposed by Martin Water is for lawful objects within the corporate purpose of its utility operations, is necessary and appropriate for and consistent with the proper

¹ 528 New Customers x \$16 min. bill	= \$ 8,448
(2,000 Gallons x 528)/1,000 x \$4.40	= 4,646
Monthly projected revenue increase	\$ 13,094
Times 12 months	x 12
	<u>\$157,128</u>

performance of the utility's service to the public and will not impair its ability to perform that service, and is reasonably necessary and appropriate for such purpose. It should, therefore, be approved.

IT IS THEREFORE ORDERED that:

1. Martin Water is hereby granted a Certificate of Public Convenience and Necessity for the proposed construction project.

2. Martin Water's proposed plan of financing with KIA and HUD is accepted.

3. Martin Water shall file a copy of the "as-built" drawings and a certified statement that the construction has been satisfactorily completed in accordance with the contract plans and specifications within 60 days of the substantial completion of the construction certificated herein.

4. The rates set out in Appendix A, which is attached hereto and incorporated herein, are the rates approved for service rendered on and after the date of this Order.


5. Martin Water shall submit its revised tariff setting out the rates in Appendix A within 30 days of the date of this Order.

6. Martin Water shall monitor the adequacies of the expanded water distribution system after construction. If the level of service is inadequate or declining or the pressure to any customer falls outside the requirements of 807 KAR 5:066, Section 5(1), Martin Water shall take immediate action to bring the system into compliance with Commission regulations.

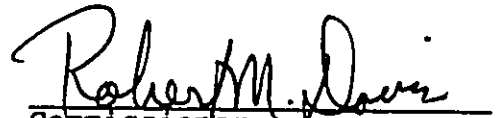
Nothing contained herein shall be deemed a warranty of the Commonwealth of Kentucky, or any agency thereof, of the financing herein accepted.

Done at Frankfort, Kentucky, this 8th day of September, 1992.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 92-307 DATED September 8, 1992

The following rates and charges are prescribed for the customers in the area served by Martin County Water District No. 2. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

A \$3.00 minimum surcharge to the new customers only to be served by the extension of new water lines.